

IMPROVING SALES PRODUCTIVITY IN  
THE COMPUTER SERVICES INDUSTRY

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# IMPROVING SALES PRODUCTIVITY IN THE COMPUTER SERVICES INDUSTRY

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## I INTRODUCTION



## I INTRODUCTION

- This report is produced by INPUT as part of the Market Analysis Service (MAS).
- The topic was selected due to high client interest and the recognized importance of improved sales productivity for continued growth in the computer services industry.
- Research for this report included a series of in-depth telephone interviews carried out in August and September 1980 at top-management sales levels. The interview profile, respondent characteristics, definition of terms and copies of the interview forms are included in Appendices A, B and C.
- To provide and maintain the quality of responses, INPUT determined to withhold the identities of the respondents and to aggregate data.
- A broad range of questions on the sales function within an organization was used to weigh the impact of trends in improving sales productivity.
- Firms representing turnkey systems, software products, industry-specific processing, general processing, commercial professional services and government professional services have been included in the study as a representation of a cross-section of the computer services industry.

- The report is based on an analysis of the interviews, data from previous INPUT studies and the expertise of the INPUT staff.
- INPUT would welcome any inquiries or comments from clients on the information presented.

## II EXECUTIVE SUMMARY



## II EXECUTIVE SUMMARY

### A. MEASURES OF PRODUCTIVITY

- Sales and marketing managers estimate that sales costs continue to go up at a rate greater than inflation due to the increasing costs of air travel, per diem, entertainment, auto expenses and sales training, as shown in Exhibit II-1.
- In theory, expenses as a percent of sales should decrease as revenue increases - but this was not substantiated in this survey. The computer services industry has become more competitive as it has become more mature. These factors have created forces that are reducing sales productivity.
- Improved productivity was viewed by management either as increased sales per sales representative per year, or as a lower ratio of sales costs as a percent of total revenue. Both perceptions are covered in this study in terms of current costs, planned changes and future implications.
- Sales compensation plans continue to be recognized as the best directly measurable tool used by sales management to manage performance.
- A sales quota is used by most firms in the industry, but has less importance in the processing services sector.

## EXHIBIT II-1

### TRENDS IN SALES COSTS

RESPONSE	PERCENT OF RESPONDENTS	CAUSAL FACTORS
COSTS GOING UP	68%	<ul style="list-style-type: none"><li>● INCREASED COMMISSIONS</li><li>● HIGHER SALARIES</li><li>● TRAVEL COSTS</li><li>● COST OF GOODS</li><li>● MORE COMPETITION</li><li>● INDIVIDUAL PRODUCTIVITY DECREASING</li></ul>
NO CHANGE	31	<ul style="list-style-type: none"><li>● PERCENT OF REVENUE REMAINS SAME</li><li>● REDUCING OF TRAVEL</li><li>● NO PROBLEMS</li><li>● MINOR DIFFERENCES</li></ul>
COSTS GOING DOWN	1	<ul style="list-style-type: none"><li>● SALES COSTS HAVE DECREASED AS A PERCENT OF SALES REVENUES</li></ul>

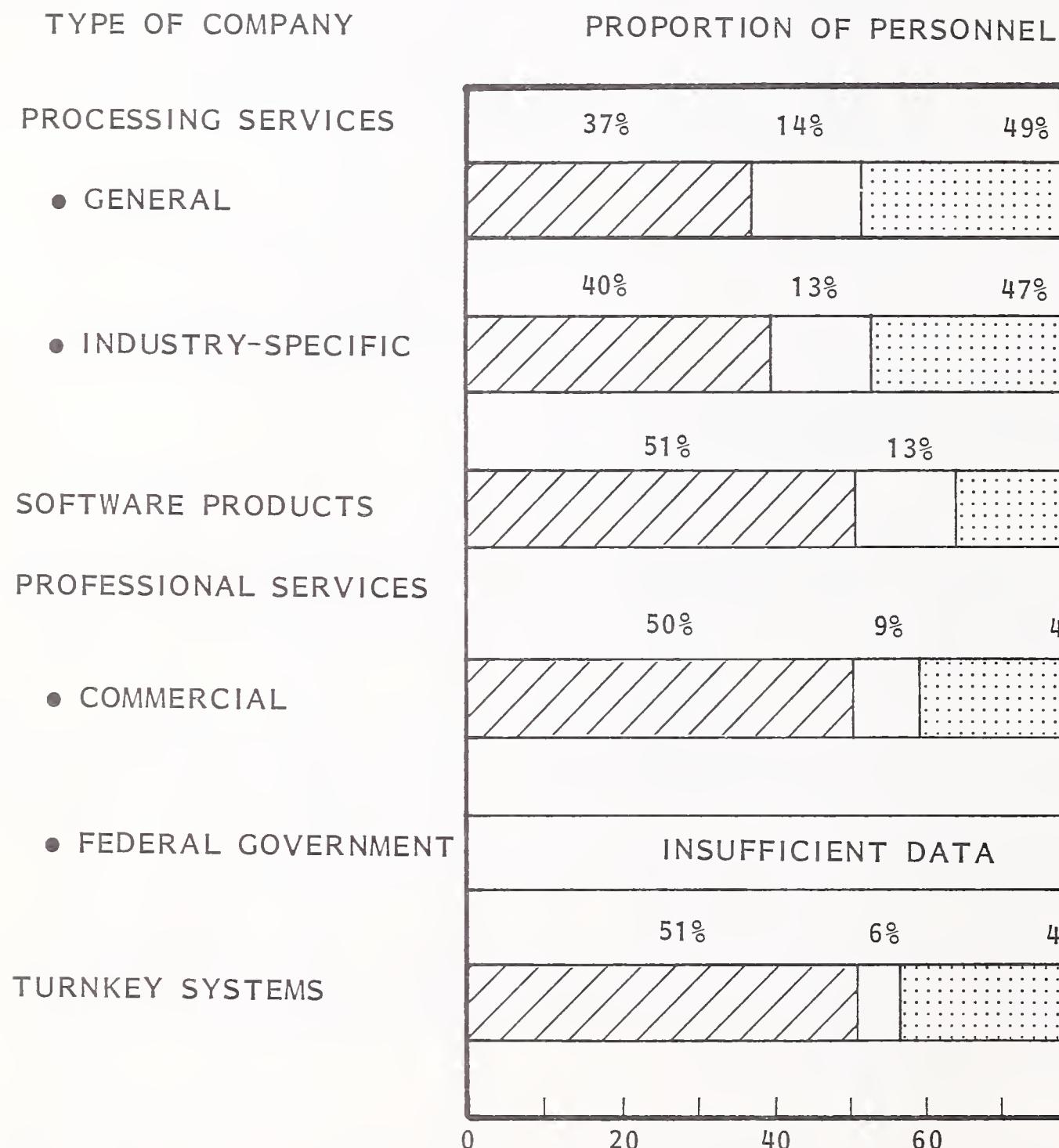
- Sales compensation gained most of top management's attention in this survey. The more indirect factors such as training, recruiting and call activity have been viewed as minor impacts on productivity.
- Senior sales management recognizes increasing costs and their impact on profitability, but delegates control over expenses to the line managers as a measure of their productivity. They assume that this control is effectively administered at the sales representative level.
- Sales costs as a percent of revenue were not considered significant factors in productivity measurement.

## B. STAFFING AND TURNOVER

- The number of sales support personnel in relation to the number of sales representatives overall averaged less than 1:1, except in processing services, as shown in Exhibit II-2.
- As found in an earlier study by INPUT, the ratios of sales representatives to sales managers, and sales representatives to sales support, were not related to revenue produced by sales personnel within a type of service.
- The ratio of sales managers to sales and support staff is much higher for processing services and software products vendors, perhaps reflecting smaller relative sizes of sales forces.
- On the other hand, software-related sales forces have more than 50% of their staffs in direct sales. These sectors are also growing much faster than processing services.
- The turnover rates shown in Exhibit II-3 were much lower than the average 27% estimated by INPUT in 1979, due to several factors.

## EXHIBIT II-2

### DISTRIBUTION OF SALES STAFF



- SALES STAFF
- SALES MANAGERS
- TECHNICAL SUPPORT

## EXHIBIT II-3

## CHANGE CHARACTERISTICS IN SALES FORCES

TYPE OF COMPANY	OPENINGS*		TURNOVER RATE
	SALES	SUPPORT	
PROCESSING SERVICES			
● GENERAL	9%	7%	21%
● INDUSTRY-SPECIFIC	15	**	19
SOFTWARE PRODUCTS	26	22	15
PROFESSIONAL SERVICES			
● COMMERCIAL	21	9	18
● FEDERAL GOVERNMENT	6	**	9
TURNKEY SYSTEMS	6	6	20

\*AS A PERCENT OF CURRENT FORCE

\*\*INSUFFICIENT DATA

- Generally slow economic environment, and therefore less turnover.
- Better recruiting, selection and training.
- Greater competition for sales positions.
- The inclusion in this survey of smaller firms that have more senior sales staffs in the services sectors.

- Seventy-five percent of the firms showed turnover of 20% or less.
- Estimated turnover rates in remote computing have decreased since the earlier INPUT study, then estimated at approximately 34%. The remote computing services sector turnover rate is currently around 23%.
- INPUT feels that turnover in the sales force will increase as general economic conditions get better. The result will be a shortage of qualified sales personnel.
- The number of open requisitions for sales and sales support representatives was significant. The ratio of openings to authorized head count ranged from 6-15%, except in the software products area (22-26%) and commercial professional services (16-22%). This indicates either:
  - More rapid growth in these sectors.
  - More difficulty in finding sales personnel.
- The number of personnel openings averaged 12% of the number of sales representatives, and 10% of the number of sales support personnel.
- Costs of training are low, estimated at less than 1% of total revenue.
  - Most sales managers could not estimate the amount spent.

- It is still common for many departments not to itemize training expenses as line items of their budget.
- Training costs become important in those sectors where younger and inexperienced representatives are recruited, as in general processing services.
- Annual sales meetings and informal sales development programs were mentioned as common forums for training.
- INPUT estimates that a computer services company should invest 1-1.5% of its revenue for sales and sales support training.
- Estimates of recruiting costs vary greatly among companies, depending upon the cost factors included in the base; but typically placement fees, salary, on-the-job training costs and expenses are included in the estimates. An estimate of recruiting costs of \$25,000-35,000 per representative was common among responding firms, as shown in Exhibit II-4.
- The relationship of order size to annual revenue per sales representative shows that sales people in software products and general processing services must sell more frequently than those in other sectors. Commercial professional services personnel must also sell frequently, but their annual revenue figures are higher because of the considerable amount of 'follow-on' work developed by account personnel.
- Software product and turnkey system firms have the highest average income per sales representative (\$50,000). The relatively high income of software sales representatives will make it easier for them to fill openings. Thus faster growth must account for the greater number of openings in this area.
- Sales personnel costs as a percent of revenue range from 5% in government professional services (where many marketing costs are assimilated by operations or accounted separately as bid and proposal) to 20-35% in software products and processing.

## EXHIBIT II-4

## FINANCIAL DATA ON SALES PERFORMANCE

TYPE OF COMPANY	AVERAGED DATA PER SALES REPRESENTATIVE (\$ THOUSAND)				RE- CRUITING COST	TRAINING COST*
	ANNUAL REVENUE	ORDER SIZE	INCOME			
PROCESSING SERVICES						
	● GENERAL	450	91	35	26	0.9%
SOFTWARE PRODUCTS	● INDUSTRY- SPECIFIC	360	120	33	29	1.3
		450	70	50	30	1.8
PROFESSIONAL SERVICES						
	● COMMERCIAL	1,100	96	40	34	0.8
TURNKEY SYSTEMS	● FEDERAL GOVERNMENT	2,800	1,000	41	20	0.5
		1,200	390	50	17	0.6

\*AS A PERCENT OF REVENUES

## C. PROBLEM AREAS AND ISSUES

- Quotas continue to be set on a top-down basis, based on company or industry growth objectives. These targets will become increasingly difficult to reach because of the competitive influences in the industry.
- Relatively little effort has been made to train sales people in those sectors outside of processing services.
  - This has had a negative impact on sales productivity, since vendors stimulate personnel turnover by hiring their competitors' sales staff rather than training new people from outside the industry.
  - INPUT has found in other studies that costs decrease with improved formal training programs and better selection criteria.
- Sales managers have forecast that business will grow through more specialized products. Additional training and marketing support are necessary to push these products, yet current training budgets are frequently small or nonexistent.
- Costs of marketing in general are going up at rates greater than inflation. Major progress to curb these costs has not yet been made. Because of increased costs attached to sales representatives, less costly sales approaches must now be considered.
- Lack of technical support has provided a bigger problem to management than the ability to hire sales representatives. Companies will have to develop programs and career paths to attract and train sales support people as a shortage of these people persists in the industry.
- Sales compensation plans are becoming more complex and difficult to administer. Automated systems are desirable.

- Indirect marketing programs such as mailers and advertising have not been a significant factor in most companies, but promotional items will become a factor as the industry becomes more competitive.
- Increased specialization in industries, products and services is a growing trend. A unique competitive edge is viewed by many respondents as a means to increase per-order sales growth.

#### D. RECOMMENDATIONS

- Determine the true costs of getting an order, or the costs of putting a representative or technical support person in the field. Control is as important here as in tracking sales calls.
- Evaluate alternate methods for customer sales support, since the technical support area is perceived by nearly 75% of management as a potential problem.
  - Establish hierachial technical support organizations, where possible, in a manner similar to modern field service organizations.
  - Use technical personnel as trainers and educators, thereby reducing the amount of time spent with customers, and the associated out-of-pocket costs.
  - Charge the customer for all reasonably billable time.
- Sales costs as a percent of revenue are not yet regarded by sales management as a major problem. Only two respondents stated that these costs were decreasing with increased revenue. Control over expenses and costs should have equal importance to increased revenue.

- In previous studies, INPUT has identified a general lack of qualified, experienced sales support personnel, a problem also stated in this survey. More comprehensive and effective training programs are necessary for sales and sales support staff.
- Seminars appear to be an important factor in prospecting and closing sales. The professional quality of these programs must be stressed. Management should use video equipment, manuals and well-trained individuals to sponsor such seminars.
- Decentralization through a broader use of branch and regional offices has been recognized as a method of controlling costs. An organization should verify that these decisions are cost justified.
- Quotas need to be established with a sense of competitive position rather than a top-down approach. Some firms can expect large revenue increases due to a favorable competitive position. Other firms should not expect revenue increases unless a concurrent investment is made in the product or service sold.
- Sales management and the marketing organizations need to provide better prospect qualification tools to the sales representatives. This is an inexpensive and highly effective way to increase sales productivity.
  - Prospecting techniques should be refined, with systematic follow-up on leads using automated systems.
  - Focus efforts in advertising, telephone contact, identification of key decision makers and direct mail.
- Processing companies in particular may be getting "top-heavy" from a sales management viewpoint. These vendors must keep management staff lean, especially as they have so many highly individual contributors.

- Turnkey and commercial professional services vendors must emphasize sales management more. They should also spend more on direct sales.

### III SALES ORGANIZATIONS



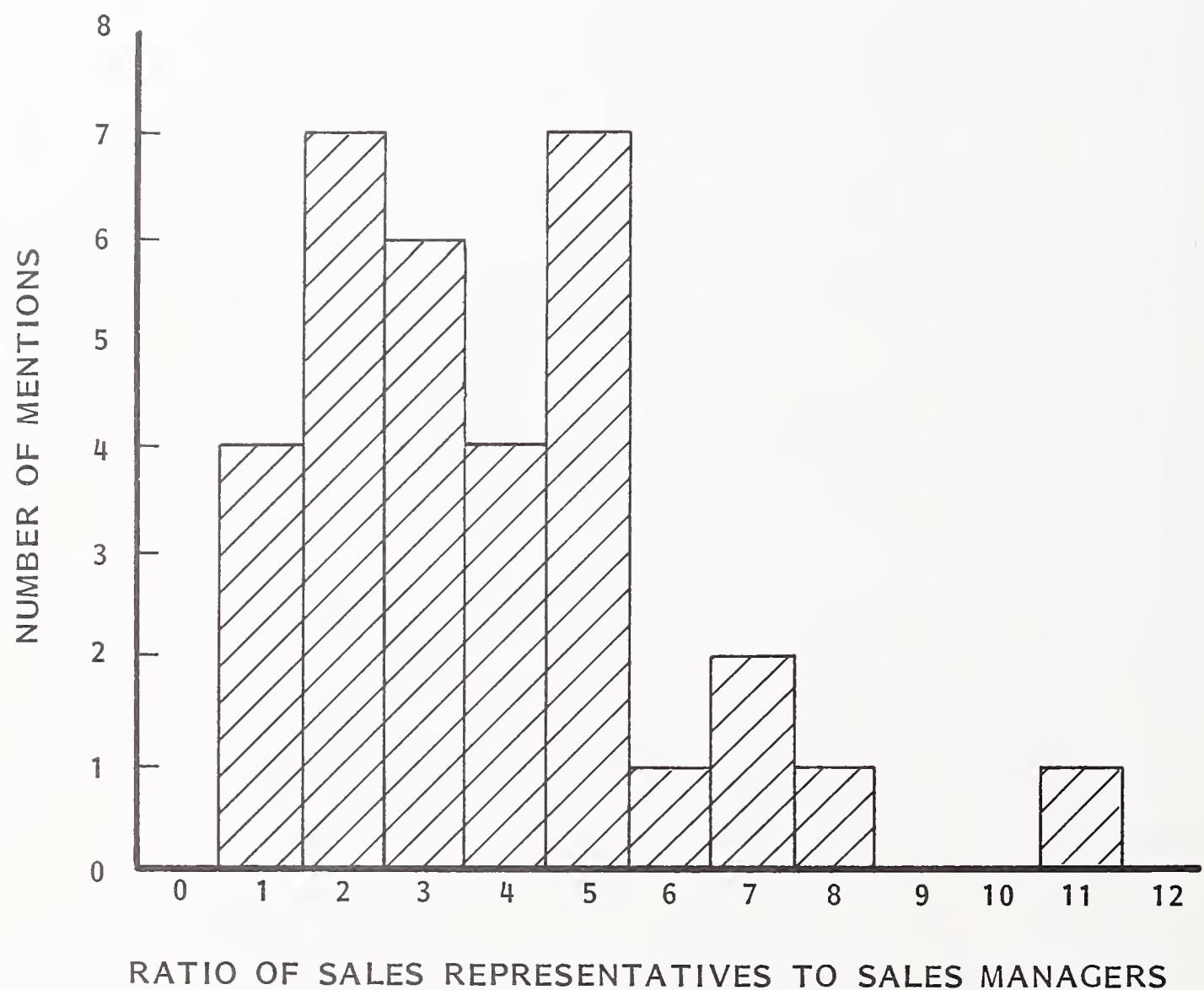
### III SALES ORGANIZATIONS

#### A. STRUCTURE AND STAFFING

- Sales force size in the firms interviewed ranged from five sales representatives to well over 200. Products included hardware and software products, batch processing, remote computing and professional services.
- The largest independent firms in this study have well over \$300 million in total revenue. Approximately one-third of the firms have current revenues of \$50 million and up.
- The ratio of sales representatives to sales managers typically ranged from 2:1 to 5:1, with a mean of 4.3:1, as shown in Exhibit III-1. In an earlier study of processing firms, the ratio was 3:1 to 4:1. Smaller firms and the professional services sector typically eliminate a middle manager, so that sales activities report directly to a vice president or president.
- In a comparison of sales representatives' performance to number of sales managers in Exhibit III-2, the trends are as follows:
  - Up to \$500,000 average revenue per salesperson shows little impact on management.

EXHIBIT III-1

RATIOS OF SALES REPRESENTATIVES TO  
SALES MANAGERS



\*GOVERNMENT PROFESSIONAL SERVICES

EXHIBIT III-2

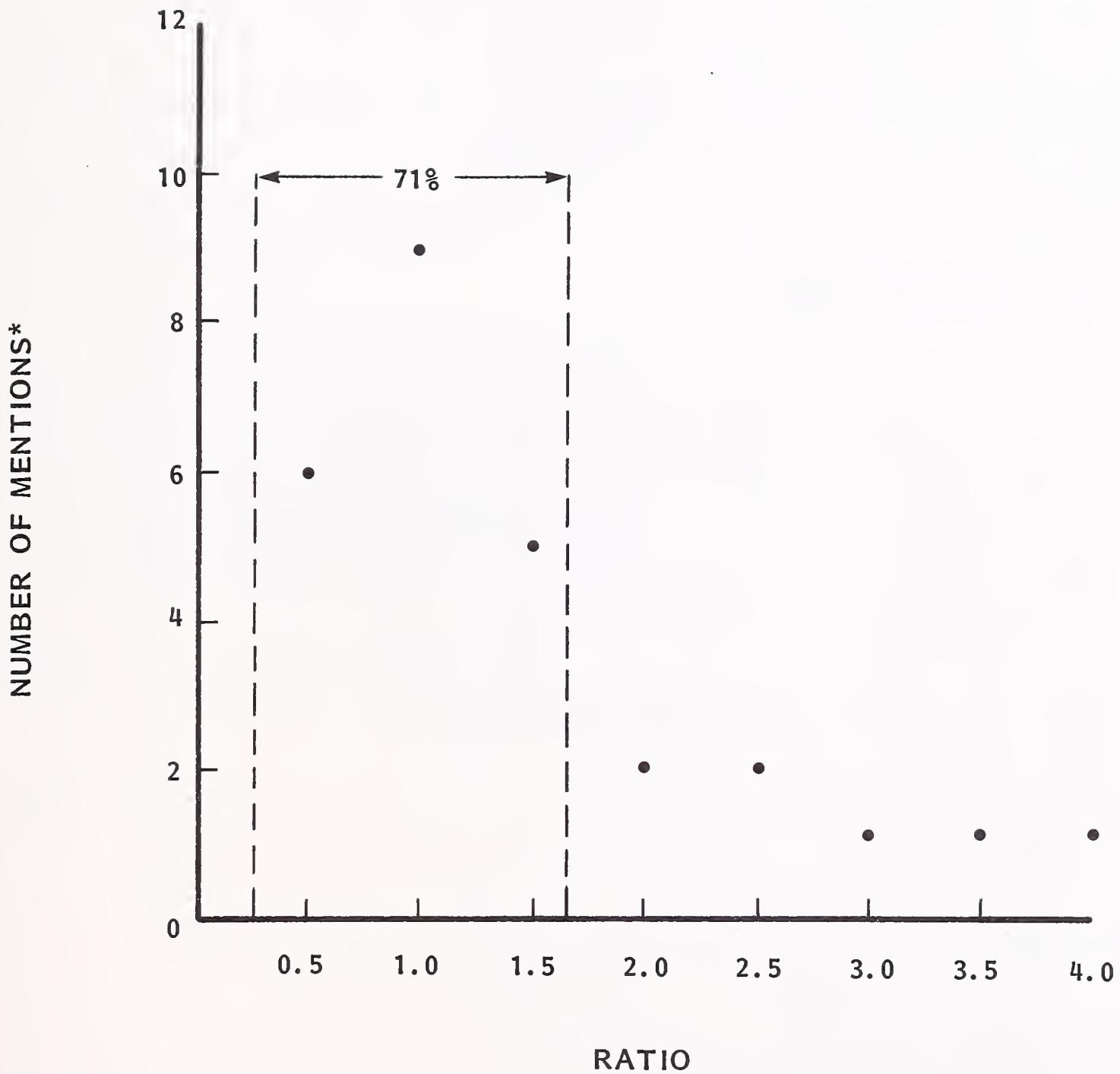
SALES-REPRESENTATIVES-  
TO-MANAGERS RATIOS RELATED  
TO SALES PERFORMANCE

RATIO OF SALES REPRESENTATIVES TO MANAGERS	AVERAGE REVENUE PER YEAR	NUMBER OF RESPONDENTS
<u>LOW</u>  LESS THAN 3:1	≤ \$500K \$500K TO \$1.0M > \$1M	3 5 3
<u>MODERATE</u>  3:1 TO 4:1	≤ \$500K \$500K TO \$1.0M > \$1M	3 3 2
<u>HIGH</u>  GREATER THAN 4:1	≤ \$500K \$500K TO \$1.0M > \$1.0M	3 7 8

- In the range of \$500,000 to \$1 million average revenue, performance per sales representative per year was slightly better with less management.
  - The professional services sector, with little or no direct sales management, had the highest average revenue per sales representative.
- Although there does not appear to be a correlation between management and individual performance, INPUT believes that, in the case of new trainees, skills improvement is a direct function of sales management involvement.
- The role and importance of the technical representative in sales support functions are as follows:
  - Front-end sales combined with a representative as a sales team.
  - Pre-sales proposal participation.
  - Post-sales support for installations.
  - Post-sales training.
  - Used on an ad hoc basis during the sales cycle.
- A team approach to selling appears to be economical, with a judicious use of sales support time after a prospect has been qualified.
- There is no direct relationship between productivity and the ratio of sales to sales support representatives.
- In an earlier INPUT study, the ratio of sales to sales support representatives was found to be 0.7. The ratio is now closer to 1, as shown in Exhibit III-3, possibly reflecting the following productivity improvements:

### EXHIBIT III-3

#### RATIOS OF SALES TO SUPPORT PERSONNEL



\*EXCLUDING GOVERNMENT AND COMMERCIAL PROFESSIONAL SERVICES COMPANIES.

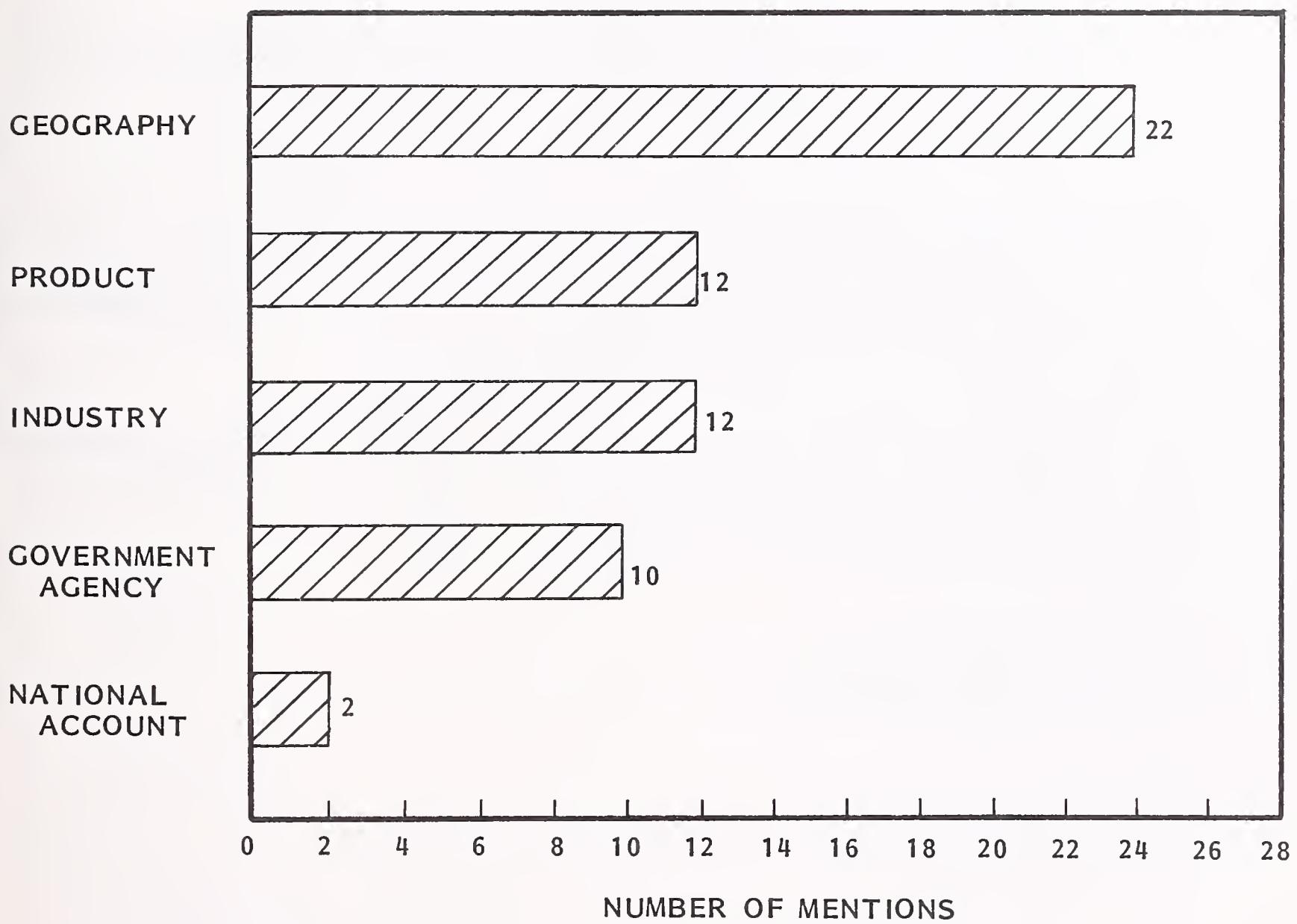
- More efficient sales support staff.
- More user-oriented products/services requiring less technical guidance from vendors.
- The professional services sector shows higher sales to sales support ratios due to its ability to draw from operations people as needed for sales support. In theory, this keeps marketing costs down, as personnel are not carried on overhead when not participating in sales.

## B. ORGANIZATION

- One-half of the firms interviewed organized sales geographically, as shown in Exhibit III-4. However, INPUT believes that many organizations are planning to expand into specialized markets. The sales organization profile will shift to a product or industry orientation as the vendors add specialized products and services.
- Firms organized by industry represent:
  - Banking.
  - Hospitals.
  - Utilities.
  - Manufacturing.
  - Electronics.

EXHIBIT III-4

SALES FORCE  
ORGANIZATION METHOD



NUMBER OF RESPONDENTS = 38

NOTE: SOME COMPANIES GAVE MULTIPLE RESPONSES

- Firms that participate in the government markets (state, local and federal) have generally organized their sales forces along industry lines, too - typically by government agency.
- Firms dealing in products such as software development tools, data base management systems, etc., are organized geographically, with territory size as a function of the installed hardware base.
- Territory assignments follow classic ZIP code and customer/account location. Office locations were not selected on the basis of a logical cost trade-off. Decisions were based on a high concentration of accounts or the presence of a major competitor in the area.
- Several software product companies stated that they had saturated the larger and more dense customer areas, and were now restructuring the sales effort to most cost effectively pursue the remote areas.
- Industry directories, ZIP codes, area codes, geographic boundaries, standard metropolitan areas, census data and CPU site locations were the most commonly used sources for territorial assignments.

### C. SALES RECRUITING

- There are some big differences between types of vendors in selecting marketing personnel. The professional services groups seek only experienced sales representatives, as shown in Exhibit III-5, while processing groups seek recent college graduates and people with less than five years of work experience.
- Many of the turnkey firms have also sought more experienced sales staff.

EXHIBIT III-5

AGE OF SALES REPRESENTATIVES BY  
TYPE OF COMPANY

TYPE OF SERVICE	AVERAGE AGE			
	20-30	30-35	35-45	45
TURNKEY SYSTEMS	2	4	3	-
SOFTWARE PRODUCTS	2	4	1	-
GENERAL PROCESSING SERVICES	3	3	-	-
INDUSTRY-SPECIFIC PROCESSING SERVICES	2	3	1	-
COMMERCIAL PROFESSIONAL SERVICES	-	3	2	-
FEDERAL GOVERNMENT PROFESSIONAL SERVICES	-	1	4	1

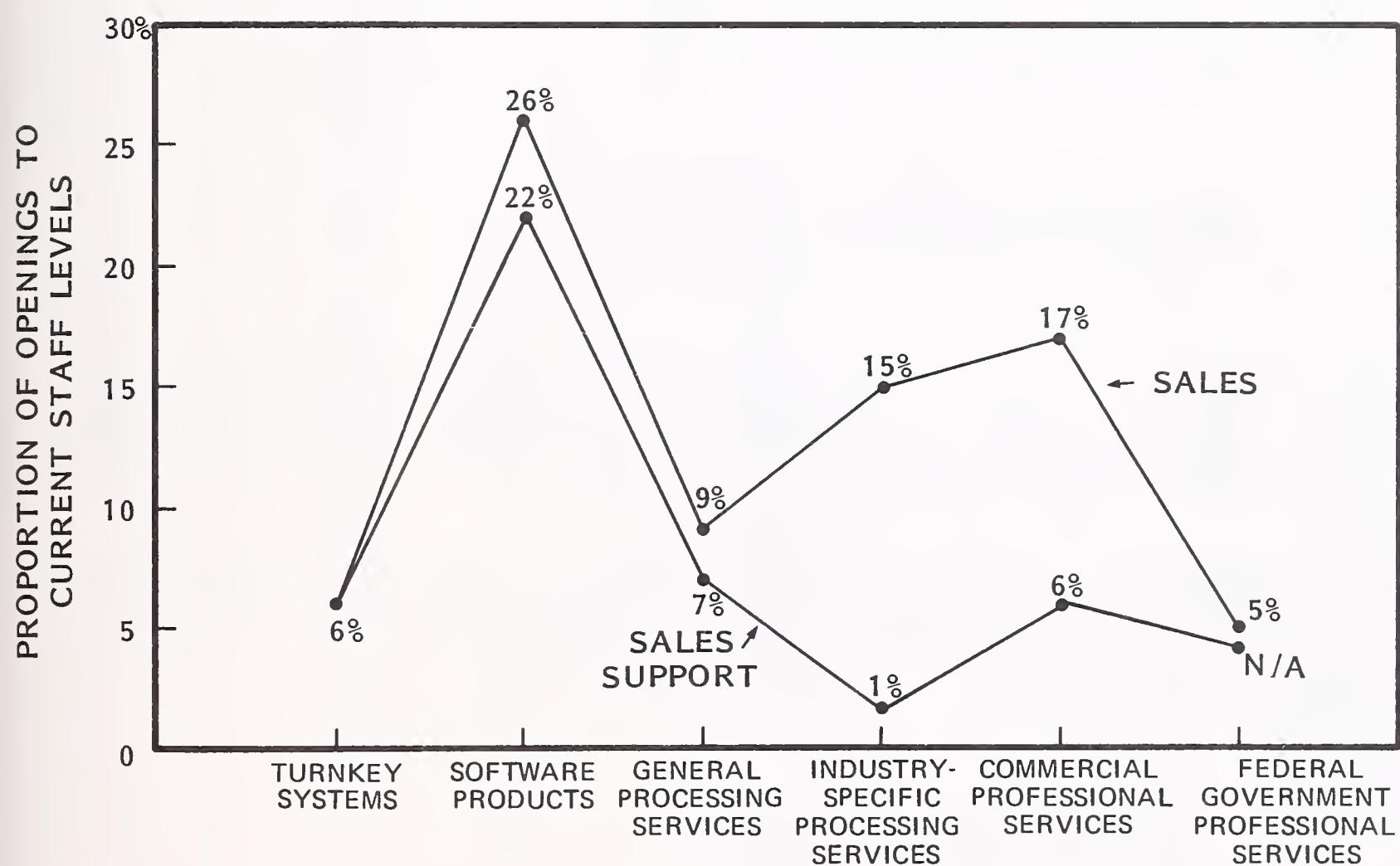
- With the shortage of sales personnel, INPUT believes that sales management and top management will be faced in the near future with the issue of recruiting and training younger sales personnel. This action may also require additional sales support staff to supplement the inexperienced new sales hires.
- This is particularly true for software companies, which have the highest ratios of openings to existing sales staffs.

#### **D. SALES OPENINGS**

- There continues to be a shortage of qualified personnel in the industry. Respondents indicated that 12% of the authorized sales representative positions (and 10% of the authorized sales support positions) were currently unfilled, as shown in Exhibit III-6.
- There are more openings now (expressed as a percent of the total sales force's authorized head count) than in 1977, 1978 or 1979.
- The current economic slump has had the effect of reducing personnel turnover, but continued sales and sales support staff growth has caused an increase in demand for these personnel.
- Filling positions for sales support personnel was believed to be the greatest problem for most firms surveyed. Reasons for this included:
  - The difficulty of finding both technically qualified and sales-oriented people.
  - A lack of specific industry experience among candidates.
  - A general shortage of technical personnel in the industry.

EXHIBIT III-6

SALES AND SALES SUPPORT PERSONNEL:  
OPEN REQUISITIONS



- There are almost no unfilled sales manager positions, as these openings are filled through the promotion of a sales representative.
- Sales agents have not been an important factor in the computer services industry other than in the software product and turnkey system areas. This could change in the near future if companies are not able to find enough sales representatives.
- Outside agents have been employed in international markets.
- The use of an outside representative or agent was generally believed to be difficult to control and manage.

#### E. SALES STAFF EXPERIENCE

- Exhibit III-7 indicates that top management generally consider the experience level of the sales force to have more impact on sales productivity than first-line management or support.
- Marketing support was viewed as important by those types of vendors that offer a specialized or unique product or service, such as:
  - Turnkey system vendors.
  - Software product companies.
  - Industry-specific processing services.

## EXHIBIT III-7

## FACTORS IMPACTING SALES PRODUCTIVITY

		TYPE OF COMPANY			
KEY FACTORS	TURNKEY SYSTEMS	GENERAL PRO-CESSING SERVICES	INDUSTRY-SPECIFIC PRO-CESSING SERVICES	COMMERCIAL PROFESSIONAL SERVICES	FEDERAL GOVERNMENT PROFESSIONAL SERVICES
FIRST-LINE MANAGEMENT	3.7	3.1	<input type="boxed" value="4.7"/>	<input type="boxed" value="4.2"/>	3.0
MARKETING SUPPORT	3.9	4.1	3.3	3.6	3.2
EXPERIENCE LEVEL	<input type="boxed" value="4.8"/>	<input type="boxed" value="5.0"/>	4.2	<input type="boxed" value="4.2"/>	<input type="boxed" value="5.0"/>

RATING SCALE: 1 = LEAST IMPORTANT, 5 = MOST IMPORTANT

= HIGHEST RATING IN INDUSTRY SECTOR

- Since processing services companies tend to hire younger, less experienced representatives, first-line management becomes an important factor in training and directing these new employees. The importance of first-line management to these companies is supported by their much higher ratios of managers to sales staff.
- Less than 20% of the respondents had 80% or so of their revenues generated by 20% of the sales force. Generally these were smaller firms. As shown in Exhibit III-8, revenue generation is fairly evenly distributed, particularly when the turnover rates and levels of new staff are considered.
- General processing services companies have the highest concentration, which may indicate that the emphasis on first-line management is misplaced. Management emphasis should lead to less concentration.

#### F. SUPPORT PERSONNEL

- Top managements vary widely in their opinions of the importance and use of sales support personnel in the sales cycle.
  - The professional services sector uses sales support personnel in proposal preparation. Typically, they are "borrowed" from operations.
  - The software product and turnkey areas stress the installation capabilities of technical personnel.
  - Specialized applications in processing services require additional technical support.
- Pre-sales activities (in which teaming is an important factor) showed no significant difference among the six industry sectors.

### EXHIBIT III-8

#### CONCENTRATION OF REVENUE GENERATION IN SALES FORCES

##### TYPE OF COMPANY

##### PROCESSING SERVICES

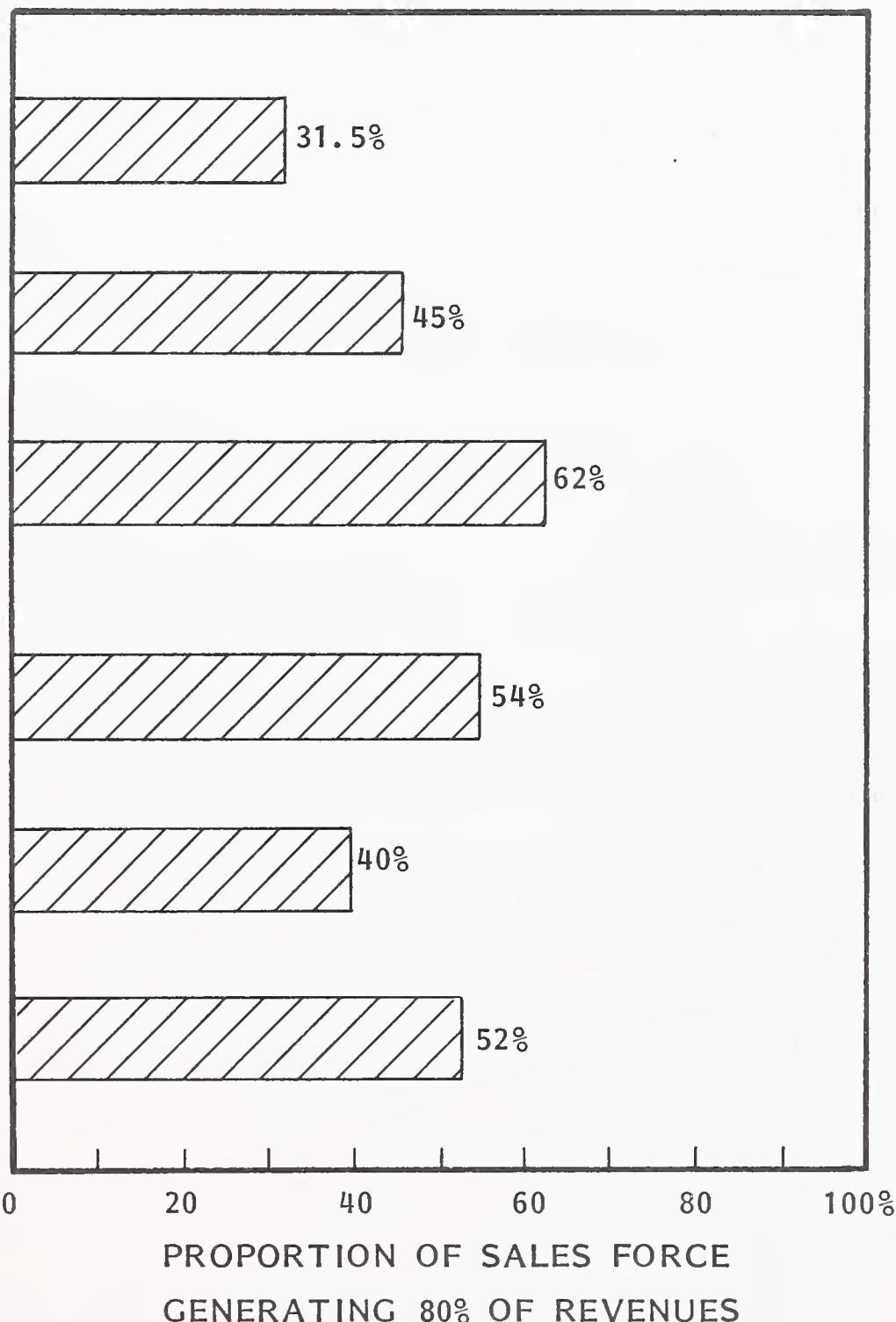
- GENERAL
- INDUSTRY-SPECIFIC

##### SOFTWARE PRODUCTS

##### PROFESSIONAL SERVICES

- COMMERCIAL
- FEDERAL GOVERNMENT

##### TURNKEY SYSTEMS



## G. SALES MANAGEMENT

- The most important situations where sales management is needed occur in firms with:
  - A large sales force.
  - An established business base.
  - Sales representatives who perform only a selling function.
- The sales management function is not an important factor in professional services companies.
- There was little discussion of the career path for sales managers. In almost all cases:
  - Positions are filled from within.
  - When positions open, they are quickly filled.

## H. RECENT AND PLANNED CHANGES

- INPUT found in an earlier study that individual company managements are moving in one of two directions:
  - Smaller firms seeking rapid growth tend to emphasize new business.
  - The larger, more mature processing firms place less emphasis on new business.

- Most firms realize the need to recruit younger sales personnel to fill their sales openings. However, first-line sales management still recruits and hires experienced sales representatives.
- Firms are identifying candidates through the following channels, ranked by order of importance:
  - Referrals.
  - Internal transfers.
  - Professional placement.
  - Advertising.
  - Others; i.e., advertising, college recruiting, trade shows.
- Sales managers identified the following characteristics as important to sales candidates:
  - Industry and/or business experience.
  - Technical skill.
  - Direct sales experience.
  - Education.



#### IV SALES COMPENSATION PLANS



## IV SALES COMPENSATION PLANS

### A. OVERALL OBJECTIVES

- The major objectives of this phase of the research were:
  - To seek top management's perception of current and future sales compensation plans.
  - To define relationships, where possible, between plans and productivity.
  - To identify significant trends.
- Results were compared by type of company to determine how successful each had been in maximizing productivity performance.
- Other than meeting quotas, the most important measure of sales productivity was generally "new revenue," as shown in Exhibit IV-1.
- All companies believed that new revenue from existing clients could be used as a measure of sales productivity. This is a somewhat surprising finding in that this is the easiest type of sale to make and one which sales support personnel can often close on their own.

## EXHIBIT IV-1

## MEASURES OF SALES PRODUCTIVITY

TYPE OF SALES	TURNKEY SYSTEMS	SOFTWARE PRODUCTS	GENERAL PROCESSING SERVICES	INDUSTRY-SPECIFIC PROCESSING SERVICES	COMMERCIAL PROFESSIONAL SERVICES	FEDERAL GOVERNMENT PROFESSIONAL SERVICES
NEW REVENUE	4.1	4.7	4.3	5.0	4.8	4.2
FOLLOW-ON REVENUE	2.6	3.2	3.8	3.0	4.6	3.3
PROFIT	3.2	2.7	2.8	2.2	3.2	3.7
NEW ACCOUNTS	4.5	4.6	3.2	4.2	4.4	3.8

RATING SCALE: 1 = LOW, 5 = HIGH

= HIGHEST RATING IN INDUSTRY SECTOR

- Follow-on revenue also appeared to be a good measure of sales productivity where generic services were sold. This is particularly true for commercial professional services companies, where follow-on revenues are often the direct responsibility of operations staff. This accounts for the very low ratio of order size to revenue responsibility of the sales staff, seen previously.
- Follow-on revenue was not considered a good measure of sales productivity where the former was more or less automatic. Software product maintenance, turnkey system maintenance and specialized processing services contracts are generally captive revenues once the initial contract is obtained.
- Profit was only considered a good measure of sales productivity in the federal government professional services area. This reflects senior management's involvement in selling and managing federal government contracts, and the very narrow margin of error inherent in these contracts.
- Surprisingly, general processing services vendors did not identify new accounts as a good measure of sales productivity. The vendors must rethink their attitude toward new accounts because of the impending saturation of the traditional RCS markets (i.e., Fortune 1,000 companies).

● As more firms mature and develop a solid base, INPUT believes that the strategy and objectives will change to include factors that are presently given low ratings.

- One processing services respondent plans to add new specialized products and stress new account sales.
- One firm has saturated the large CPU market and is developing a plan to sell profitably to smaller CPU sites.

## **B. PERFORMANCE MANAGEMENT/MEASUREMENT**

- Before discussing the multifaceted and complex plan structures, it should be noted that most top managers equate performance management with performance measurement. In short, quota achievement was rated most important by all respondents.
- There are other productivity measures that should be considered along with quota achievement:
  - Number of sales calls.
  - Expense control.
- Systematic use of call reporting systems were reported by less than 5% of the firms interviewed. Several top managers reported limited use at the branch level, typically for tracking new sales representatives. INPUT finds this area too poorly managed: it is not controlled to the extent necessary for proper sales representative management.
- Top-management pressures on expense control are placed on line management. However, in no case was control of expenses included as a major factor in sales compensation plans. If pressure for expense control exists, rewards should be given to those that meet control objectives.

## **C. SALES REPRESENTATIVE INCENTIVE COMPENSATION**

- A well-recognized fact in sales management is the varying and often complex nature of compensation plans. Exhibit IV-2 represents the commission structures (by type of company) that were found in this survey.

## EXHIBIT IV-2

STRUCTURE OF COMMISSION PLANS,  
BY TYPE OF COMPANY

TYPE OF COMPANY	COMMISSION AS A PROPORTION OF TOTAL COMPENSATION (NUMBER OF MENTIONS)							DRAW/ 100%			
	≤10%	25%	30%	35%	40%	50%	60%	65%	80%	88%	
TURNKEY SYSTEMS	-	1	-	1	2	1	1	-	-	1	1
SOFTWARE PRODUCTS	-	-	1	-	-	3	-	1	-	-	1
GENERAL PROCESSING SERVICES	-	-	1	3	1	1	-	-	-	-	-
INDUSTRY-SPECIFIC PROCESSING SERVICES	-	-	1	-	2	1	-	-	-	-	-
COMMERCIAL PROFESSIONAL SERVICES	-	1	-	-	1	-	1	-	1	1	-
FEDERAL GOVERNMENT PROFESSIONAL SERVICES	6*	-	-	-	-	-	-	-	-	-	-

\* ALL RECEIVE LARGE SALARY PLUS BONUS

- In general, turnkey system and software product companies use a higher commission sales compensation plan than processing services firms do. This reflects the one-time nature of product sales (higher commissions) versus ongoing revenues from processing services (lower commissions). Commercial professional services companies also expect commissions to average over 50% of compensation.
- The variability in commission structures for commercial professional services and turnkey system companies reflects the diversity in approaches to motivating the sales force. More mature management in processing services have made plans more consistent. However, income per sales representative is higher in those companies with larger commission components.

#### D. SALES REPRESENTATIVE COMPENSATION PLANS

- Each firm has attempted to adopt a sales compensation plan commensurate with its corporate strategy.
- All respondent companies were found to use similar incentives. Selected compensation plans are outlined below:
  - Reimbursable draw of \$3,000 per month and commission of 25-40% of gross sales.
  - A point system for systems sold, developed by one firm, along with a bonus that was paid upon contract receipt (one-half of bonus) and on system installation (balance of bonus).
  - A guaranteed additional 50% of commission if sales representatives reach 100% quota.
  - Bonus of \$3,000-6,000 per year based on a subjective evaluation.

- Bonus plan not related to salary - paid annually.
- Higher commissions based on new business over follow-on business.

#### E. COMMISSION RATES

- Exhibit IV-3 shows that respondent firms' commission rates as a percent of revenue averaged about 5% to 6% of total sales. The spread reflects the variety of commission plans.
  - In an earlier study by INPUT, an average of 7% in the remote processing industry sector was estimated. That estimate doesn't appear to change for processing firms covered in this survey.

#### F. SALES MANAGEMENT PLANS

- Sales managers' compensation was based on a higher salary than sales representatives plus a percentage commission on revenue over the area quota. Additional bonuses were paid for expense control and profitability in several responding companies.
- A summary of sales manager's compensation plans is given in Exhibit IV-4.

#### G. SALES SUPPORT COMPENSATION

- Most sales support compensation plans involved straight salary, with small bonuses tied to either or both of the following:

## EXHIBIT IV-3

### COMMISSION RATES

AVERAGE COMMISSION RATE (PERCENT OF SALES)	NUMBER OF MENTIONS
1.0%	1
1.5	1
2.0	3
3.0	1
4.0	-
5.0	2
6.0	2
7.0	1
8.0	2
9.0	1
10.0+	2

EXHIBIT IV-4

TYPES OF SALES MANAGEMENT  
COMPENSATION PLANS

PLAN	NUMBER OF MENTIONS
SALES AND OPERATIONS FUNCTION COMBINED	8
50% SALARY PLUS 50% INCENTIVE	7
BASE SALARY PLUS COMMISSION	5
70% BASE AND 30% INCENTIVE	5
60/65% BASE AND 30/35% INCENTIVE	5
90/10% BASE AND INCENTIVE	2
40/60% BASE AND INCENTIVE	2
INCENTIVE ONLY	1

- Subjective evaluation.
- Product or service revenue.

## H. INDUSTRY SPECIALIZATION

- All firms interviewed for this study projected more industry specialization through acquisitions and/or development of new products.
- Increased specialization has led sales representatives to act more as consultants than they have in the past.
- With specialized products and services, vendors plan to design compensation plans to meet anticipated longer sales cycles. They plan to promote specific products by changing incentive sales plans.

## I. MANAGEMENT EXPERIENCE WITH OTHER INCENTIVES

- The "100% Club" is the most commonly used incentive other than salary or regular commission, as shown in Exhibit IV-5. Professional services companies are not using this incentive. There is no evidence of its effectiveness.
- Selection of a "salesperson of the year" is frequently used.
- Stock options are not generally used for the sales force.

EXHIBIT IV-5  
OTHER SALES INCENTIVES USED

PERCENT RESPONDING					
INCENTIVES	TURNKEY SYSTEMS	SOFTWARE PRODUCTS	GENERAL PROCESSING SERVICES	INDUSTRY-SPECIFIC PROCESSING SERVICES	COMMERCIAL PROFESSIONAL SERVICES
AWARDS AND PRIZES	44%	43%	66%	80%	40% 0
100% CLUB	66	71	100	100	20 0
BONUS	55	43	83	60	40 100
GRADUATED BONUS	55	43	67	60	20 0
LARGE SPECIAL COMMISSION	55	29	50	80	40
STOCK OPTION	33	14	0	0	20

= HIGHEST IN INDUSTRY SECTOR

## J. PLANS TO CHANGE

- Top management is generally satisfied with current sales compensation plans, as shown in Exhibit IV-6.
- Highlights of comments on compensation plan changes are:
  - "Increase base salary and commissions."
  - "Institute a quota system."
  - "Decrease the base salary and increase commissions."
  - "Stress new business and new accounts and decrease the emphasis on the maintenance of base business."
  - "Provide automobiles and other expense allotments."
  - "Use an incentive system instead of the subjective bonus system currently used."
  - "Raise the commission rate."
- Many compensation plans have become too complex and difficult to administer. A simplified, automated system appears to be a reasonable long-term goal for vendors.

EXHIBIT IV-6  
PLANS TO CHANGE SALES  
COMPENSATION PLAN

COMMENTS	NUMBER OF MENTIONS
NO CHANGE ANTICIPATED	16
INCREASE BASE SALARY	7
CHANGE INCENTIVE STRUCTURE	4
STRESS NEW BUSINESS	4
START USING QUOTAS	1
CHANGE QUARTERLY QUOTA TO ANNUAL QUOTA	1



V SALES RECRUITING AND TRAINING



## V SALES RECRUITING AND TRAINING

### A. RECRUITING

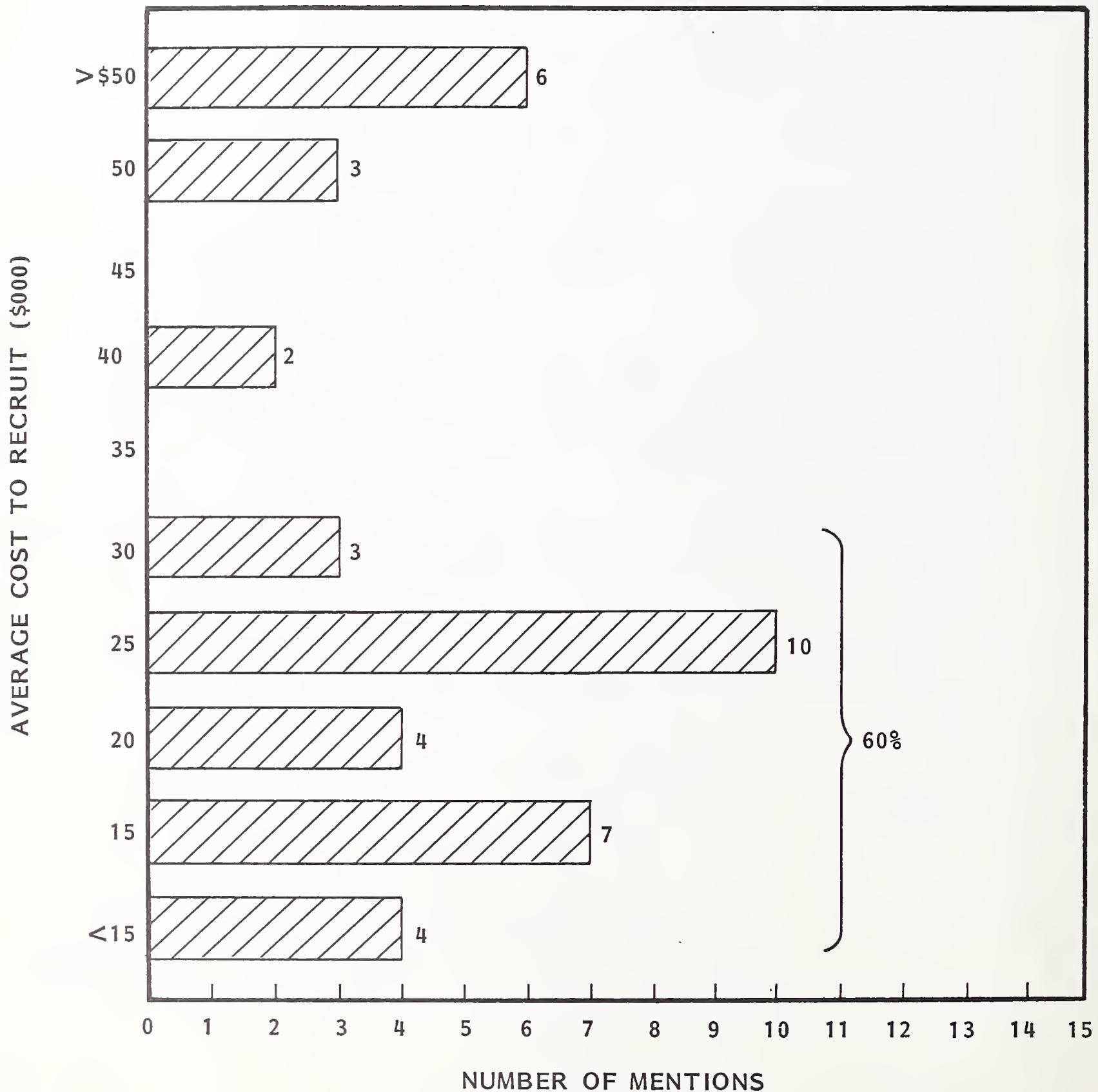
- Top sales management recognizes the lack of qualified and experienced sales representatives.
- Several types of companies, notably professional services and industry-specialized processing companies, recruit only experienced personnel because of the nature of their business.
- The cost of recruiting has not gone down. Placement fees range from 15-40% of the cost of the first year's total compensation.
- Over 60% of the respondents estimate recruiting costs between \$15,000 and \$30,000, with a mid-range of \$20,000, as shown in Exhibit V-1.

### B. TRAINING

- Initial training was generally considered to have a high positive impact on sales productivity, except in firms where only experienced sales representatives are hired, as shown in Exhibit V-2.

## EXHIBIT V-1

### COSTS OF SALES RECRUITING



## EXHIBIT V-2

## IMPORTANCE OF TRAINING IN INCREASING SALES PRODUCTIVITY

TRAINING PHASES	TURNKEY SYSTEMS	GENERAL PROCESSING SERVICES	INDUSTRY-SPECIFIC PROCESSING SERVICES	COMMERCIAL-PROFESSIONAL SERVICES	FEDERAL GOVERNMENT-PROFESSIONAL SERVICES
INITIAL	4.1	4.6	4.5	4.8	3.8
PRODUCT	3.8	4.0	2.8	3.6	1.8
IN-BRANCH	1.8	3.7	3.8	3.8	2.2
FOLLOW-UP	2.4	4.0	3.5	3.6	2.4
					2.3

RATING SCALE: 1 = LEAST IMPORTANT, 5 = MOST IMPORTANT

= HIGHEST RATING IN INDUSTRY SECTOR

- Several firms expressed the belief that sales representatives are relatively loyal to the firm that trains them. Other INPUT research supports this view.
- In-branch and follow-up training is not emphasized by turnkey systems and professional services companies. This is a major failing for long-term growth.

### C. TRAINING BUDGET

- Sales training expenditures as a percent of total revenue continues to be less than 1%, as shown in Exhibit V-3. However, nearly one-half of the respondents could not estimate their sales training expenditures.
- Training programs used by respondents used a variety of instructors:
  - In-house training personnel.
  - Management staff.
  - Operations personnel.
  - Outside training firms.
- Respondents were prone to cut budgets for sales training, much to the detriment of their sales staff's productivity.
- Exhibit V-4 shows that, for those firms with a training program, initial training on a formal basis generally lasts two to three weeks.
- Over 40% of the firms have no initial, formal training programs. This is an appalling number.

EXHIBIT V-3

ESTIMATES OF TOTAL SALES  
TRAINING COSTS

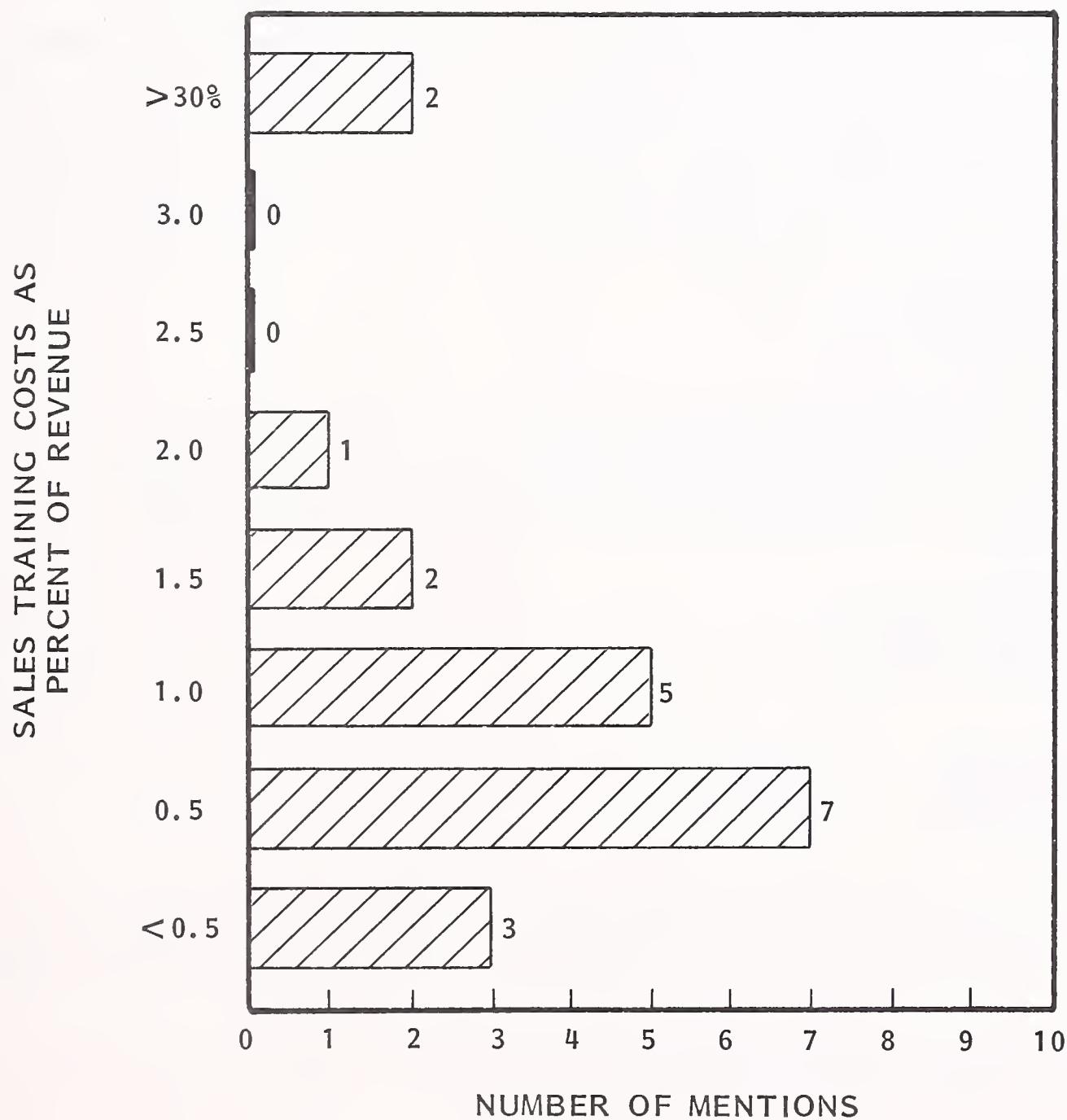
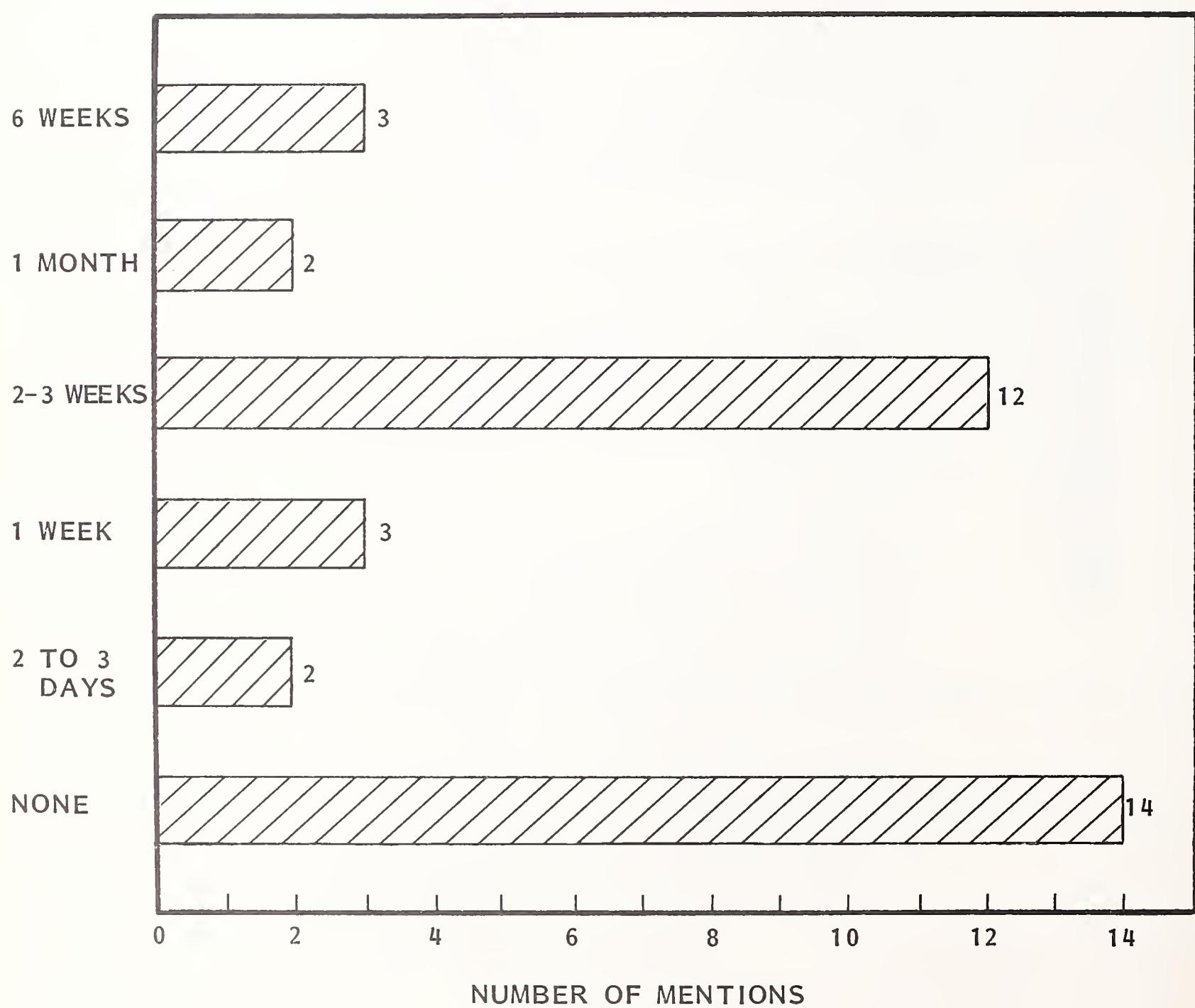


EXHIBIT V-4

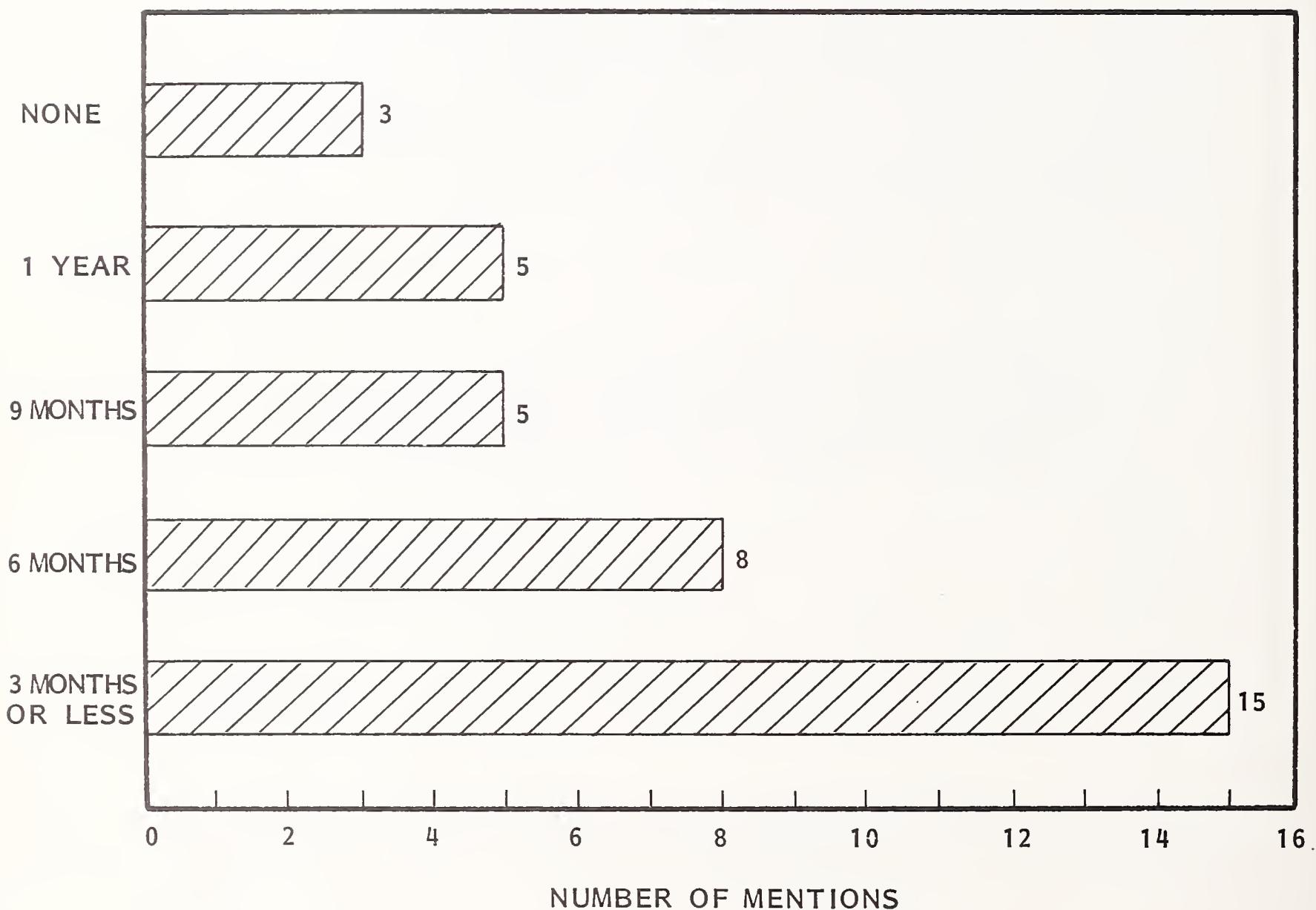
DURATION OF INITIAL, FORMAL  
SALES TRAINING PROGRAMS



- The combinations of formal and on-the-job training (OJT) in Exhibit V-5 show an average duration of less than three months.
- Most initial training includes subjects such as sales techniques and product training.
- Managers of sales forces in the smaller firms seem to be moving toward formal training programs.
- Follow-up and in-branch sales training has not been formalized. Most top managers have delegated this training to the branch level. Exhibit V-6 highlights comments that reflect this casual attitude. This contrasts strongly with sales forces with the major computer manufacturers.

EXHIBIT V-5

DURATION OF TOTAL  
INTERNAL TRAINING



## EXHIBIT V-6

### DURATION OF IN-BRANCH AND FOLLOW-UP TRAINING

#### COMMENTS

- "Handled on a casual basis."
- "Combines with sales meetings; 2/3 per year."
- "One week per year."
- "Informal . . . as needed."
- "Held for announcement of new products."
- "Monthly sales meeting."
- "Outside seminars."
- "Field quarterly or on as-needed basis."



VI SALES PRODUCTIVITY



## VI SALES PRODUCTIVITY

### A. MEASUREMENT

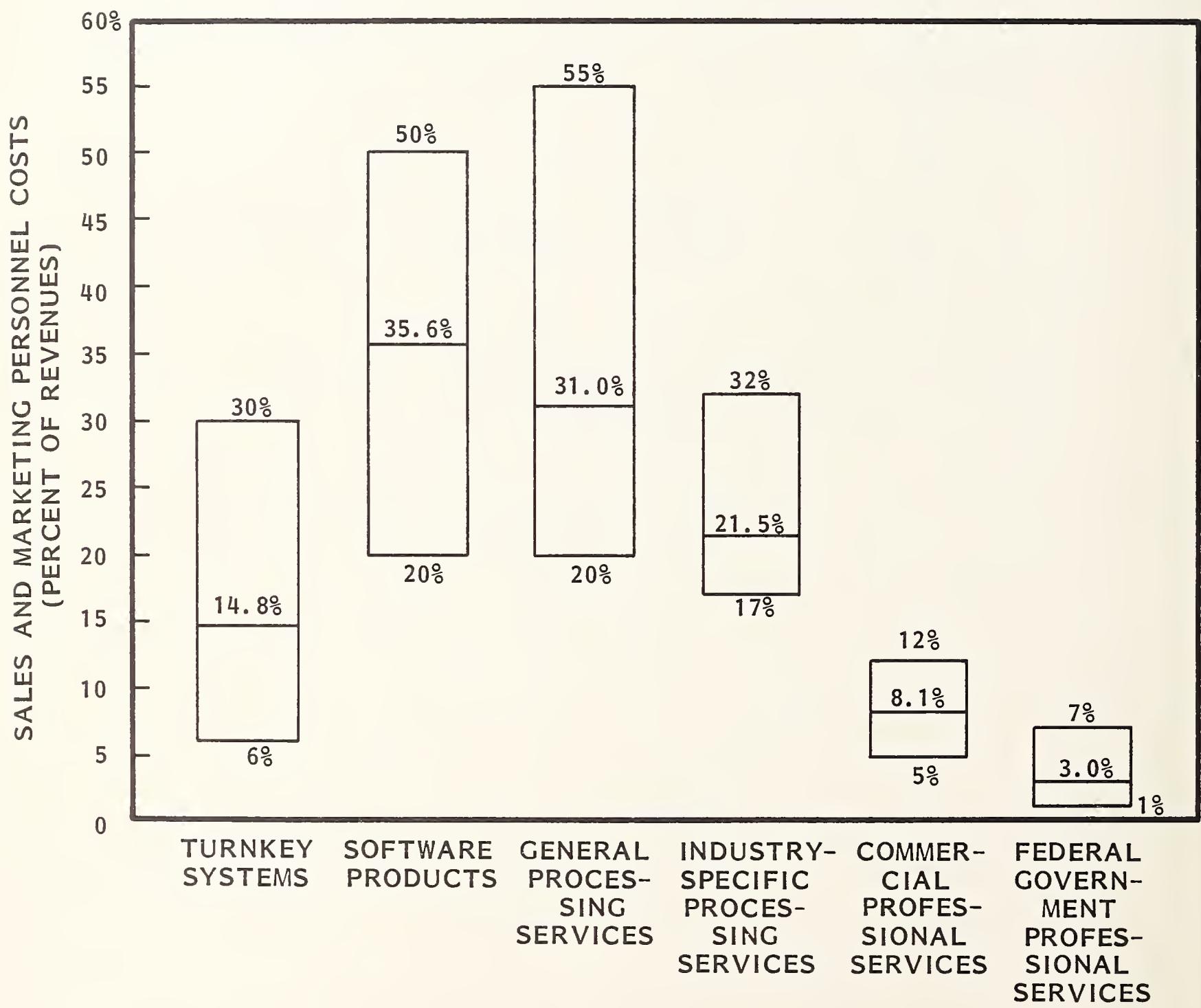
- Sales and marketing personnel costs as a percent of revenue averaged 20% for responding companies. Costs ranged from less than 5% to over 50%, as shown in Exhibit VI-1.
- Professional services costs are so low because much of the follow-on sales revenues are "sold" by the operating group.
- Turnkey systems costs are relatively low because of the equipment component of the sale, which increases the average sales price compared to say an equivalent software product.

### B. TURNOVER RATE

- There is a general reduction in turnover rate as the average representative's income increases, as shown in Exhibit VI-2. The break seems to come at about \$40,000 per year; above that level there seems to be little change.
- Reasons given by sales management for lower turnover were:

## EXHIBIT VI-1

### SALES AND MARKETING PERSONNEL COSTS, BY TYPE OF COMPANY



## EXHIBIT VI-2

## AVERAGE INCOME COMPARED TO TURNOVER RATES

AVERAGE INCOME PER REPRESENTATIVE BY COMPANY (\$ THOUSAND)

TURNOVER RATE (PERCENT OF SALES STAFF)									
5	5	10	15	20	25	30	40	40	AVER- AGE
\$25	-	-	-	1%	-	-	-	-	15%
30	1%	1%	1%	1	1%	2%	1%	1%	25
35	-	-	1	-	-	2	-	-	20
40	2	-	1	1	2	1	1	-	15
45	-	-	2	-	-	1	-	-	15
50	-	-	2	-	2	-	2	-	20
55	-	-	-	-	-	-	-	-	-
60	1	1	-	-	1	-	-	-	8
65	-	-	-	-	-	-	-	-	-
70	1	-	-	-	-	-	-	-	-

- Mature sales force.
- High income.
- Most sales managers felt that sales turnover was less of a problem in 1980 than other recent years. However, most respondents attributed this to an uncertain economy rather than astute sales management.

### C. OTHER PRODUCTIVITY FACTORS

- Income for sales representatives ranged from \$25,000 to over \$70,000, with the average at \$45,000.
- The primary means to improve sales productivity is to improve the sales representative selection process, as shown in Exhibit VI-3. This is quite consistent with other INPUT studies on sales productivity.
- The second most important means is to add to the sales force, which reflects the companies' optimism in the size of the demand side of the market. This is particularly true for software product companies.
- As shown in Exhibit VI-4, seminars have been quite effective in increasing sales, particularly for product-oriented companies.
- The use of advertising and direct mail has been particularly effective for software product companies. These companies have made relatively better use of such techniques than processing services companies, even though the latter are often much larger.
- The estimated average sales call cost ranges from \$50 to \$200. One half of the respondents could not approximate the amount and several others did not have hard data to substantiate their estimate.

## MAJOR FACTORS AFFECTING SALES PRODUCTIVITY

FACTOR	TURNKEY SYSTEMS	SOFTWARE PRODUCTS	GENERAL PROCESSING SERVICES	INDUSTRY-SPECIFIC PROCESSING SERVICES	COMMERCIAL PROFESSIONAL SERVICES	FEDERAL GOVERNMENT PROFESSIONAL SERVICES
ADD TO SALES FORCE	4.1	3.7	4.5	2.4	3.6	3.5
REDUCE SALES FORCE	1.0	1.0	1.2	2.8	1.4	1.5
REDUCE EXPENSES	2.0	3.3	2.7	3.6	2.4	1.5
IMPROVE SALES FORCE SELECTION	4.4	3.7	4.7	5.0	4.4	3.8
REDUCE TERRITORY	3.9	2.9	3.2	2.0	2.8	1.8
ADD TO TRAINING	3.3	4.0	4.5	4.0	3.2	2.5
INCREASE BONUS AND COMMISSION	2.6	3.4	3.3	3.2	2.2	3.0
ADD TO TECHNICAL SUPPORT	3.0	2.0	3.5	3.0	3.0	2.1

RATING SCALE: 1 = LOW, 5 = HIGH

= HIGHEST RATING IN INDUSTRY SECTOR

## EXHIBIT VI-4

## EFFECTIVENESS OF PROSPECTING TECHNIQUES IN INCREASING SALES

FACTOR	TURNKEY SYSTEMS	GENERAL PROCESSING PRODUCTS SERVICES	INDUSTRY-SPECIFIC PROCESSING SERVICES	COMMERCIAL PROFESSIONAL SERVICES	FEDERAL GOVERNMENT PROFESSIONAL SERVICES
COLD CALLS	2.0	1.6	2.5	2.8	2.8
DIRECT MAIL	2.7	3.6	2.7	3.2	2.2
ADVERTISING	2.7	3.9	3.0	2.3	2.0
TELEPHONE SALES	2.8	3.3	2.7	4.2	3.0
SEMINARS	3.2	4.0	4.5	4.4	3.2
OEMS	1.2	1.1	2.7	1.0	1.8

RATING SCALE: 1 = LOW, 5 = HIGH

= HIGHEST RATING IN INDUSTRY SECTOR

#### D. IMPROVEMENT

- Only 20% of the respondents indicated that they used an automated lead-handling system.
  - Three firms mentioned plans to begin using an automated system.
  - INPUT believes that such systems would help make the sales representative's time in the field more productive.
- On-site sales calls continue to be considered the most effective method of sales.
  - Respondents estimated that the current cost of keeping a sales representative in the field was about \$125 on average, excluding compensation.
  - It is surprising that, in the face of higher costs, there is not more interest in direct mail, telephone, seminars or other lower cost sales techniques.
- Respondents estimated that approximately 15% of the sales representatives' time was spent selling internally. The figure was substantially higher among professional services firms (as would be expected).

#### E. LIMITATIONS OF SALES FORCE SIZE

- Top management did not believe that sales force size placed a limit on growth. Management felt confident that additional sales staff could be added when desired, and incremental revenue would be generated.

- Insufficient sales support staff places a limit on the growth rate of revenue in turnkey system, software product and processing services companies.
- Future revenue growth could be limited by the availability of people experienced in specialized products and services. It will take a large training investment to overcome this obstacle.

## APPENDIX A: DEFINITIONS



## APPENDIX A: DEFINITIONS

### COMPUTER SERVICES

- Computer services are provided by vendors to perform data processing functions using the vendors' computers (processing services), or to assist users to perform such functions on their own computers (software products and/or professional services).
- The following are definitions of the modes of service used in this report:
  - Remote Computing Services involve the provision of data processing to a user by means of terminals at the user's site(s) connected by a data communications network to the vendor's central computer. The three submodes of RCS are:
    - . Interactive (timesharing), characterized by the interaction of the user with the system, primarily for problem-solving timesharing but also for data entry and transaction processing. The user is on-line to the program/files.
    - . Remote Batch, where the user hands over control of a job to the vendor's computer, which schedules job execution according to priorities and resource requirements.

- Date Base inquiry, characterized by the retrieval of information from a vendor-maintained data base. This may be owned by the vendor or a third party.
- User Site Hardware Services (USHS), typically provided by RCS vendors, which place programmable hardware at the user's site (rather than the EDP center). USHS offers:
  - Access to a communications network.
  - Access through the network to the RCS vendor's larger computers.
  - Significant software as part of the service.
- Batch Services include data processing (performed at vendors' sites) of user programs and/or data that are physically transported (as opposed to electronically, by telecommunications media) to and/or from those sites. Data entry and data output services, such as keypunching and COM processing, are also included. Batch services include those expenditures by users who take their data to a vendor's site, which has a terminal connected to a remote computer used for the actual processing.
- Facilities Management (FM) (also referred to as "Resource Management" or "Systems Management") refers to the management of all or part of a user's data processing functions under a long-term contract (not less than one year). To qualify as FM, the contractor must directly plan and control, as well as operate, the facility provided to the user on-site through communications lines or mixed mode. Simply providing resources (even though under a long-term contract) and/or providing for all of a users' processing needs, does not necessarily qualify as FM.

- Turnkey Systems are a combination of hardware and software integrated into a total system designed to completely fulfill the processing requirements of an application (or applications) for a user.

## PROCESSING SERVICES

- Processing services encompass facilities management, remote computing services and batch services. They are categorized by the type of service bought by users as follows:
  - General Business services are processing services for applications that are common to users across industry categories. Software is provided by the vendor; this can be a complete package, a payroll package or an applications "tool," such as a budgeting model, where a user provides much of the customizing of the finished product it uses. General business processing is often repetitive and transaction-oriented.
  - Scientific and Engineering services are the processing of scientific and engineering problems for users across industries. The problems usually involve the solution of mathematical equations. Processing is generally problem solving and is nonrepetitive, except in the sense that the same packages or "tools" are used to address different, but similar, problems.
  - Industry Specialty services provide processing for particular functions or problems unique to an industry or industry group. The software is provided by the vendor either as a complete package or as an applications "tool" that the user employs to produce a unique solution. Specialty applications can be either business or scientific in orientation; data base services, where the vendor supplies the data base and controls access to it (although it may be owned by a third party), are also included under this category. Examples of industry specialty appli-

cations are: seismic data processing, numerically-controlled machine tool software development and demand deposit accounting.

- Utility services are those where the vendor provides access to a computer and/or communications network with basic software that enables any user to develop its own problem solution or processing system. These basic tools include terminal handling software, sorts, language compilers, data base management systems, information retrieval software, scientific library routines and other systems software.

## PROFESSIONAL SERVICES

- This category is made up of services related to EDP, including system design, custom/contract programming, consulting, education and training. Services are provided on the basis of:
  - Time and Materials - The billing rate is measured in units of time, rather than actual costs.
  - Fixed Price - A firm price is agreed upon for a defined piece of work.
  - Cost Plus Fee - The billing rate depends on actual costs plus a fixed fee.

## SOFTWARE PRODUCTS

- This category includes users' purchase of applications and systems packages for use on in-house computer systems. Included are lease and purchase expenditures as well as fees for work performed by the vendor to implement and maintain the package at the users' site(s). Fees for work performed by organizations other than the package vendor are counted in professional services. There are several subcategories of software products:
  - Application Products are software that perform processing to serve user functions. They consist of:
    - . Cross-industry products, which are used in multiple-user industry sectors. Examples are payroll, inventory control and financial planning.
    - . Industry specialized products, which are used in a specific industry sector such as banking and finance, transportation or discrete manufacturing. Examples are demand deposit accounting and airline scheduling.
  - System Products are software that enable the computer/communications system to perform basic functions. They consist of:
    - . System operations products, which function during applications program execution to manage the computer system resource. Examples include operating systems, DBMS, communication monitors, emulators and spoolers.
    - . System utilization products, which are used by operations personnel to utilize the computer system more effectively. Examples include performance measurement, job accounting, computer operations scheduling and utilities.

- System implementation products, which are used to prepare applications for execution by assisting in designing, programming, testing and related functions. Examples include languages, sorts, productivity aids, data dictionaries, report writers, project control systems, program library management systems and retrieval systems.

## **APPENDIX B: INTERVIEW PROFILE**



## APPENDIX B: INTERVIEW PROFILE

<u>Vendor Type</u>	<u>Number Interviewed</u>
Turnkey Systems	9
Software Products	7
General Processing Services	6
Industry-Specific Processing Services	6
Commercial Professional Services	5
Federal Government Professional Services	<u>6</u>
	39



## **APPENDIX C: QUESTIONNAIRE**



IMPROVING SALES PRODUCTIVITY IN THE  
COMPUTER SERVICES INDUSTRY

Sales Representative Profile

1. What is the current size of your sales force, including open requisitions?

	<u>Current Count</u>	<u>Open Requisitions</u>
Sales Repr	_____	_____
Line Managers	_____	_____
Technical Sales/Support	_____	_____

2. Which of the following methods do you use in recruiting sales representatives? Please rate each method used on a scale of 1 to 5 where 5 = high and 1 = unimportant.

	Yes	No	Rating
a. Referrals	_____	_____	_____
b. Advertising	_____	_____	_____
c. Professional Placement	_____	_____	_____
d. Trade Shows	_____	_____	_____
e. College Recruiting	_____	_____	_____
f. Internal transfers/ promotions	_____	_____	_____
g. Other _____	_____	_____	_____

3. a. What type of background characteristics have you found most desirable in selecting your top sales representatives?

	<u>Comment</u>
1) Direct Sales Experience?	_____
2) Related Computer Experience	_____
3) Technical Skill	_____
4) Application Experience	_____
5) Educational Background	_____
6) Industry Experience	_____
7) Other _____	_____

b. Please rate each of the following personal characteristics in terms of their importance in your selection of background sales reps. Use a scale of 1 to 5 where 1 = unimportant and 5 = most important.

	<u>Background Characteristics</u>	<u>Rating</u>
1) Direct Sales Experience	_____	_____
2) Related Computer Experience	_____	_____
3) Technical Skill	_____	_____
4) Application Experience	_____	_____
5) Educational Background	_____	_____
6) Industry Experience	_____	_____
7) Other (Please identify)	_____	_____

c. How do you see this changing in the next five years?

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## 4. How do you screen your sales people?

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Who interviews them?

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How are they tested?

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## 5. a. What is the average age of your sales force and estimate percentage of your sales force in that range?

	<u>Average</u>	<u>Percent</u>
1) 20 to 30 years	_____	_____
2) 30 to 35 years	_____	_____
3) 35 to 45 years	_____	_____
4) Greater than 45 years	_____	_____

## b. How is this changing?

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6. What do you estimate that it costs to recruit and train a new sales person?

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7. a. Give the average revenue per sales representative per year.

\_\_\_\_\_

Typical range? \_\_\_\_\_

Average size contract. \_\_\_\_\_

b. What is the total income for the average sales representative per year? \_\_\_\_\_

Range? \_\_\_\_\_

low

high

8. What has been your turnover rate for sales personnel? \_\_\_\_\_

Is this typical of your industry sector? \_\_\_\_\_

What are your plans to reduce these figures?

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9. a. What is the cost of making an on-site sales call? \_\_\_\_\_

b. What is the cost per day to keep a sales representative in the field? \_\_\_\_\_

c. What trends do you see in this area over the next five years? \_\_\_\_\_  
What do you plan to do in response to these trends? \_\_\_\_\_

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Sales Force Structure

10. How is your sales force structured? (Please describe)

By: \_\_\_\_\_ Product

\_\_\_\_ Industry

\_\_\_\_ Government Agency

\_\_\_\_ Geography

\_\_\_\_ National Account

\_\_\_\_ Other (Please specify) \_\_\_\_\_

\_\_\_\_

\_\_\_\_

11. Do you plan to change in the next two years?

Yes

No

How? \_\_\_\_\_

\_\_\_\_

\_\_\_\_

\_\_\_\_

12. Briefly describe territory assignments (account, CPUs, industry demographics, etc.).

\_\_\_\_

\_\_\_\_

\_\_\_\_

\_\_\_\_

13. What kind of call reporting system do you use?

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How do you manage performance? \_\_\_\_\_

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Please rate the following in order of importance. Quantify where possible.

	<u>Rating</u>	<u>Quantity</u>
a. Calls per day	_____	_____
b. Formal Visits	_____	_____
c. Closes	_____	_____
d. Telephone follow-up	_____	_____
e. Other (Please specify)	_____	_____
	_____	_____
	_____	_____

14. a. Estimate your total sales and marketing personnel costs (including fringe benefits) as a percentage of computer services revenue.

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b. Estimate last year's revenue. \_\_\_\_\_

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c. Describe the trend in sales and market costs over the next five years.

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15. What percentage (or number) of your sales personnel generates 80% of your annual revenue? \_\_\_\_\_

Why? \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

### Sales Compensation

16. a. Briefly describe your sales compensation plan, i.e., percent base salary versus compensation and bonus.

\_\_\_\_\_

\_\_\_\_\_

b. What changes do you foresee in the next five years?

\_\_\_\_\_

\_\_\_\_\_

c. How are sales managers compensated?

\_\_\_\_\_

\_\_\_\_\_

17. a. How is quota established now and do you have any plans to change?

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

b. How does this take into consideration your overall corporate and sales plan?

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

18. In addition to achieving quota, what do you believe are the best measures of sales productivity? Please rate 5 = high and 1 = unimportant.

       New Revenue  
       Follow on Revenue  
       Profits  
       New Accounts  
       Key Account Penetration  
       Account Management  
       Expense Control  
       Different Commissions for Different Products

19. In the interest of brevity, which of the following incentives are in current use for your sales force?

	<u>Yes</u>	<u>No</u>	<u>Comments</u>
a. Awards/Prizes	<u>      </u>	<u>      </u>	<u>      </u>
b. 100% Club	<u>      </u>	<u>      </u>	<u>      </u>
c. Bonuses	<u>      </u>	<u>      </u>	<u>      </u>
d. Graduated Bonus	<u>      </u>	<u>      </u>	<u>      </u>
e. Large Special Commission	<u>      </u>	<u>      </u>	<u>      </u>
f. Stock Options	<u>      </u>	<u>      </u>	<u>      </u>
g. Other (Please specify)	<u>      </u>	<u>      </u>	<u>      </u>
	<u>      </u>	<u>      </u>	<u>      </u>
	<u>      </u>	<u>      </u>	<u>      </u>
	<u>      </u>	<u>      </u>	<u>      </u>

Sales Productivity

20. In addition to financial incentives and quotas, how would you rate the impact of the following on sales productivity? (5 = high and 1 = unimportant)

a. Training	Rating	Average Time for Training
1) Initial	_____	_____
2) Industry	_____	_____
3) In-branch	_____	_____
4) Follow-up	_____	_____
b. First Line Management	_____	
c. Marketing Support	_____	
d. Experienced Sales Force	_____	

21. What was your sales training budget as a percent of revenue for 1979?

\_\_\_\_\_

22. How do you handle sales leads and what is your method of follow-up?

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

23. Is either product planning or a specific sales representative's expertise utilized in increasing sales?

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a. How is this used by the sales force?

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b. How important is this in increasing sales?

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24. a. Which of the following prospecting techniques have been most effective in increased sales? Please describe and rate (5 = high, 1 = unimportant).

Cold Calls  
 Direct Mail  
 Advertising  
 Telephone Sales  
 Seminars  
 Agents  
 OEMs  
 Other (Please specify) \_\_\_\_\_

b. What changes do you foresee for improving sales productivity in the next five years?

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25. Which are the most important factors for increasing productivity?  
Please rate the following (5 = high, 1 = low).

<u>Factor</u>	<u>Rating</u>
a. Add to sales force size	_____
b. Reduce sales force size	_____
c. Reduce expenses	_____
d. Improve sales force selection criteria	_____
e. Reduce territory size	_____
f. Add to training	_____
g. Increase bonuses, incentives, commissions	_____
h. Add more technical sales support	_____
i. Other (Please specify)	_____

26. Are you planning any major changes in these factors in the next two years?

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27. a. How much time is spent by each salesperson on selling within the company?

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b. What is the trend?

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28. a. Are there any limits to growth due to the size of your sales force?

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b. How are you restricted?

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THANK YOU



